

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. E-2, SUB 1109**

**In the Matter of:)
Application of Duke Energy Progress, LLC)
for Approval of Renewable Energy and)
Energy Efficiency Portfolio Standard)
(REPS) Compliance Report and Cost)
Recovery Rider Pursuant to N.C. Gen. Stat.)
62-133.8 and Commission Rule R8-67)**

**NCSEA’S
[PUBLIC]
POST-HEARING BRIEF**

NCSEA’S POST-HEARING BRIEF

The North Carolina Sustainable Energy Association (“NCSEA”) submits this post-hearing brief in accordance with the October 11, 2016 *Notice of Due Date for Proposed Orders/Briefs* issued by the North Carolina Utilities Commission (“Commission”) in this docket.

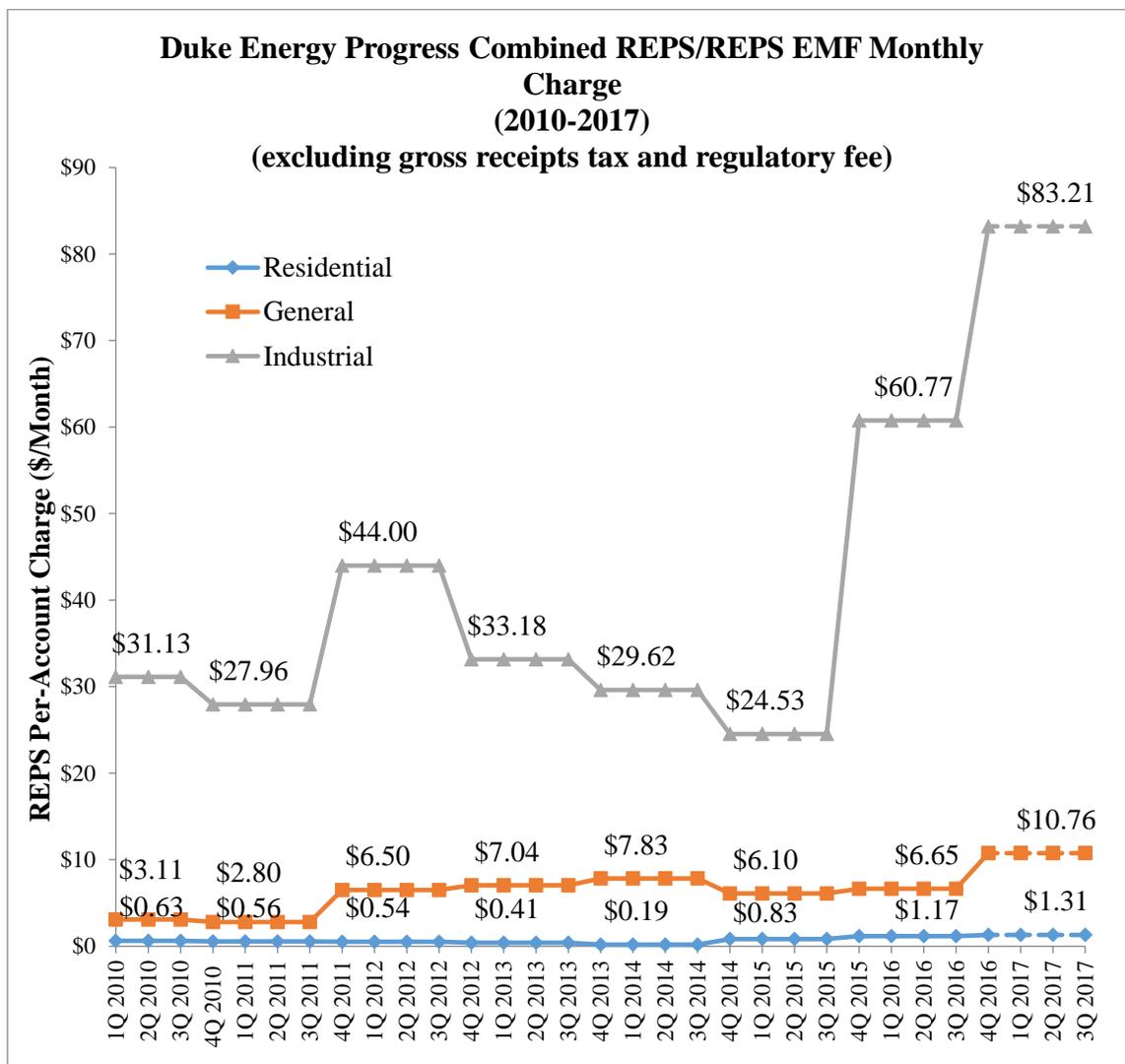
NCSEA does not challenge herein as unreasonable or imprudently incurred any costs Duke Energy Progress, LLC (“DEP”) seeks to recover. NCSEA does, however, seek to (1) provide a temporal context for DEP’s proposed Renewable Energy and Energy Efficiency Portfolio Standard (“REPS”) charges, (2) support DEP’s inclusion of certain interconnection costs in the REPS rider, and (3) support the Public Staff’s recommendation that energy efficiency (“EE”) measures have specific lifespans for the purpose of generating energy efficiency certificates (“EECs”).

I. DEP’S PROPOSED RIDER CHARGES IN CONTEXT

In this proceeding, DEP requests approval of a per-account monthly REPS charge of \$1.31 per month charge for the residential class, a \$0.14 increment from the current rider; a \$10.76 per month charge for the commercial class, a \$4.11 increment from the current rider; and a \$83.21 per month charge for the industrial class, a \$22.44 increment

from the current rider. The graph below depicts the per-account monthly charges that have been approved in recent years and the per-account monthly charges being proposed in this proceeding.

Figure 1¹



¹ Order Approving REPS and REPS EMF Riders, p. 4, Docket No. E-2, Sub 948 (Nov. 12, 2009); Order Approving REPS and REPS EMF Riders, pp. 4-5, Docket No. E-2, Sub 974 (Nov. 17, 2010); Order Approving REPS and REPS EMF Riders and 2010 REPS Compliance, p. 4, Docket No. E-2, Sub 1000 (Nov. 10, 2011); Order Approving REPS and REPS EMF Riders and 2011 REPS Compliance, pp. 4-5, Docket No. E-2, Sub 1020 (Nov. 16, 2012); Order Approving REPS and REPS EMF Riders and 2012 REPS Compliance, p. 12, Docket No. E-2, Sub 1032 (Nov. 25, 2013); Order Approving REPS and REPS EMF Riders and 2013 REPS Compliance, p. 4, Docket No. E-2, Sub 1043 (Nov. 21, 2014); Order Approving REPS and REPS EMF Rider and 2014 REPS Compliance, p. 13, Docket No. E-2, Sub 1071 (Nov. 17, 2015); DEP's REPS Cost Recovery Rider and 2015 Compliance Report, p. 4, Docket No. E-2 Sub 1109 (June 30, 2016).

When these per-account *monthly* charges are multiplied by twelve, they yield the following per-account *annual* charges: \$15.72 for residential customers, \$129.12 for commercial customers and \$998.52 for industrial customers. These proposed per-account annual charges are all below the annual per-account statutory caps of \$34.00 for residential customers, \$150.00 for commercial customers, and \$1,000.00 for industrial customers that are set out in N.C. Gen. Stat. § 62-133.8(h)(4).

II. DEP'S RECOVERY OF INTERCONNECTION COSTS

The Public Staff has recommended “that the costs associated with interconnection, including internal labor, contract labor, and information technology (IT) expenditures, should be removed from DEP’s REPS cost recovery request.”² The Public Staff has stated its belief that “these costs would be more appropriately investigated as part of a general rate case[.]”³ NCSEA respectfully disagrees, and believes that it is appropriate for DEP to recover the costs in question through its REPS rider.

While some interconnection costs are being recovered by DEP in the REPS rider, not all such costs are recovered through the rider.⁴ Under North Carolina’s interconnection procedures, generating facilities wishing to interconnect to DEP’s grid are required to “cover the Utility’s reasonably anticipated costs for conducting the System Impact Study and the Facilities Study.”⁵ Further, generating facilities wishing to interconnect to DEC’s grid are also required to “pay for the cost of the Interconnection Facilities[.]”⁶ Upon information and belief, generating facilities wishing to interconnect to DEP’s grid have

² *Testimony of Jay B. Lucas*, pp. 17-18, Docket No. E-2, Sub 1109 (Sept. 2, 2016).

³ *Id.* at p. 17.

⁴ *Supplemental Testimony of Megan W. Jennings*, p. 4, Docket No. E-2, Sub 1109 (Aug. 31, 2016).

⁵ North Carolina Interconnection Procedures, Forms, and Agreements, Sec. 1.4.1.2.

⁶ North Carolina Interconnection Agreement, Sec. 4.1.1.

paid millions of dollars in deposits and upgrades to cover the costs of interconnecting their generation projects. To put in perspective, in 2015 interconnection and system upgrade charges in DEP's service territory totaled \$10,526,718 and charges are expected to total \$25,699,293 in 2016.⁷ However, interconnection costs passing through the REPS rider are relatively small. DEP's total REPS cost during the EMF period was \$139,355,474.⁸ The interconnection costs in question total [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL].⁹ Put in the context of total REPS costs during the EMF period, the charges in question make up approximately [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL] of the total REPS costs.

Furthermore, NCSEA believes that the interconnection costs in question are directly attributable to the REPS, and as such are properly included in the REPS rider. A vast majority of the projects that were interconnected by DEP during the EMF period are generating renewable energy certificates that will be used for REPS compliance; fully 90% of projects and 95% of capacity interconnected by DEP during the EMF period are used for REPS compliance.¹⁰ NCSEA agrees with both the Public Staff and DEP that the interconnection costs in question are more properly billed directly to the deposits of interconnecting customers, and to that end "DEP has implemented direct-charging whereby employee labor that can be directly allocated to an interconnection project is charged against the deposits received from that interconnection project."¹¹ However, because during the EMF period DEP was not able to bill the interconnection costs in

⁷ See, **Exhibit A** (Slide from DEP presentation regarding interconnection and system upgrade charges).

⁸ Jennings Exhibit No. 1, p. 5, Docket No. E-2, Sub 1109 (June 30, 2016).

⁹ *Testimony of Darlene P. Peedin*, pp. 5 & 8, Docket No. E-2, Sub 1109 (Sept. 2, 2016).

¹⁰ *Rebuttal Testimony of Megan W. Jennings*, Jennings Rebuttal Exhibit No. 1, p. 2, Docket No. E-2, Sub 1109 (Sept. 14, 2016).

¹¹ *Rebuttal Testimony of Megan W. Jennings*, p. 15, Docket No. E-2, Sub 1109 (Sept. 14, 2016).

question directly to interconnecting customers, NCSEA believes that they are properly included in the REPS rider.

III. DEP’S PROPOSED LIFESPAN OF ENERGY EFFICIENCY PROJECTS

In its application, DEP noted that it is now utilizing “perpetual savings” for energy efficiency measures, which “means that the energy conservation benefits achieved by customers participating in the Company’s energy efficiency programs continue indefinitely.”¹² In response, the Public Staff noted that “EE measures have limited operational life due to general performance degradation and will eventually require replacement. In addition, the measures themselves may eventually become standard practice or incorporated into the building code, thereby reducing or negating the added energy efficiency savings of the measure on a going forward basis.”¹³ The Public Staff recommends “DEP . . . evaluate its EE measures and discontinue earning EECs from them at the expiration of the measure life associated with each Commission-approved EE program.”¹⁴

NCSEA agrees with the Public Staff that EE measures should not have “perpetual” lifespans. EE measures have specific measure lives, based on their unique characteristics. These measure lives are utilized in the evaluation, measurement, and verification (“EM&V”) process.¹⁵ DEP noted that “Discontinuing earning EECs at the expiration of the measure life will reduce the number of future EECs DEP is able to earn from its EE programs.”¹⁶ However, NCSEA would note that DEP is currently earning significantly

¹² *Direct Testimony of Veronica I. Williams*, pp. 13-14, Docket No. E-2, Sub 1109 (June 30, 2016).

¹³ *Testimony of Jay B. Lucas*, p. 5, Docket No. E-2, Sub 1109 (Sept. 2, 2016).

¹⁴ *Id.* at 8.

¹⁵ *See, Direct Testimony of Robert P. Evans*, Evans Exhibit D, p. 104, Docket No. E-2, Sub 1108 (June 22, 2016); *Id.* at Evans Exhibit F, p. 57; *Id.* at Evans Exhibit I, p. 78; *Id.* at Evans Exhibit M, p. 41.

¹⁶ *Rebuttal Testimony of Megan W. Jennings*, p. 14, Docket No. E-2, Sub 1109 (Sept. 14, 2016).

more EECs than it is able to retire annually. During the EMF period, DEP earned 1,682,467 EECs but retired only 562,361.¹⁷ Without “perpetual savings,” DEP would still carry over a balance of more than 1.1 million EECs. In fact, even if DEP were able to use EECs to comply with 40% of its REPS obligation, as it will be able to do in 2021 and later,¹⁸ DEP would still be able to carry over more than 200,000 EECs that were generated during the EMF period. As such, at least for the EMF period, utilizing a “perpetual savings” approach does not generate cost savings for customers. Furthermore, the “perpetual savings” approach differs from other Commission-approved programs where the measure life of an EE program is evaluated. As such, NCSEA supports the Public Staff’s recommendation that DEP discontinue earning EECs from its EE programs at the end of their measure lives.

CONCLUSION

NCSEA does not challenge any costs for which DEP seeks recovery in its REPS rider application as unreasonable or imprudent. NCSEA does, however, support DEP’s inclusion of certain interconnection costs in the REPS rider. Further, NCSEA supports the Public Staff’s recommendation that energy efficiency measures have specific lifespans for the purpose of generating EECs.

Respectfully submitted, this the 10th day of November, 2016.

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¹⁷ *Direct Testimony of Veronica I. Williams*, Williams Exhibit No. 5, p. 1, Docket No. E-2, Sub 1109 (June 30, 2016).

¹⁸ N.C. Gen. Stat. § 62-133.8(b)(2)c.

CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing Comments by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 10th day of November, 2016.

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Exhibit A

DEP IC & System Upgrade Charges

Interconnection Facilities	
Year	Amount
2012	\$ 560,310.52
2013	\$ 3,733,107.04
2014	\$ 3,474,093.92
2015	\$ 4,731,645.53
2016	\$ 2,321,685.00

System Upgrades	
Year	Amount
2012	\$ 783,029.73
2013	\$ 2,498,163.95
2014	\$ 5,482,783.92
2015	\$ 5,795,072.22
2016	\$ 23,377,608.00

Combined Amount	
Year	Amount
2012	\$ 1,343,340.25
2013	\$ 6,231,270.99
2014	\$ 8,956,877.84
2015	\$ 10,526,717.75
2016	\$ 25,699,293.00

